

Efficiency, Effectiveness, Equity of Public Spending in Agriculture and Rural Development: The Case of Greece



“Towards resilient Greek agriculture”

Agriculture and Food Global Practice,
The World Bank

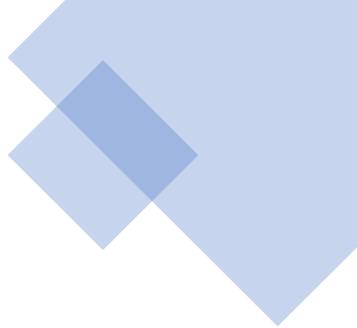
Workshop on “Prospects for a resilient Greek
Agriculture and the 2023-2027 CAP Strategic Plan”

Thessaloniki

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Main analyses for the Public Spending Review

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- i. Efficiency of spending
 - ii. Effectiveness of spending
 - iii. Distribution analysis of CAP expenditure
 - iv. Subsidy intensity of income for different farm types
 - v. Structural analysis: Agri-food sector economic linkages
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Findings from efficiency analysis ...

Technology adoption matters but should be carefully managed; farms would improve performance through fixed capital investments, but they need the “right form” of capital => **One size does not fit all and capital investments should be relevant to productive capacities and farm characteristics.**

A significant share of Greek farms suffers from economic inefficiency and is constrained by limited managerial competencies, effectiveness of organizational routines and adjustment to business environment => **Policy needs to pursue improvements of product, organizational & marketing innovation.**

Farmers’ skills and competences obtained through training substantially benefit farm economic efficiency => **Policy should promote effective training programs.**

A polarization phenomenon is evident with smaller and larger farms doing better; it is clear though that farm productive performance is characterized by the “curse of the middle” => **Policy should facilitate an enabling environment which supports efficiency improvements in the process of scaling up.**

....efficiency continued

- Arable farms perform better; mixed and permanent crops are doing worse; technology non-transferability seems an important issue => **Advice and technical support services seem to be of primary importance to improve the utilization and impact of technology.**
- Coupled subsidies harm productive performance; decoupled subsidies do so, but at a slow pace; combining coupled and decoupled support does not improve efficiency => **Policy needs to reconsider types of subsidies granted to Greek farms.**
- Farm characteristics do not affect performance when environmental subsidies are granted; it seems that environmental subsidies are used as pure income transfers (especially by farms of low dynamism) => **Improve advice provision so that farmers receiving such subsidies utilize their characteristics to improve productive performance. Promote the use of adequate technology and knowledge on how to utilize environmentally-friendly techniques. Improve knowledge generation & delivery. Design incentives that would engage high-performing farms in the adoption of environmentally-friendly practices.**
- Environmental farming is not costless in terms of productive performance. Considering that environmental farms promote social values, the compensation through subsidies seems “legitimate” => **The challenge is: «what is the structure of incentives that would engage (and) high performing farms in the adoption of environmentally friendly farming?»**

Findings from effectiveness analysis ...

- Total factor productivity (TFP) growth has been moderate in recent years; TFP growth is mainly driven by Technical efficiency change (TEC); only few types of farm (arable) record an improvement in technological change (TC) and some of them suffer from technological regress => **Need to prioritize innovation policies and induce technological advancements (especially in livestock and mixed farms).**
- TFP growth diverges for most productive farms (e.g., arable farms) and converges for other farm types => **A policy focus which creates an enabling environment for “laggards” in arable crops and facilitates technology transfer for other farm groups is the way forward. More flexible and relevant to farm types and economic size, capital is required. Young farmers measure should be reviewed.**
- Technological progress mainly relies on past record of technology adoption and farmers’ skills and competencies => **Policy initiatives facilitating technology adoption and training and knowledge provision to farmers seem necessary.**
- There is a trade-off between environmental and economic performance => **Need to reform training programs and enrich them with components specific to environmentally-friendly farm practices which do not harm economic performance of farms.**

Findings from equity (distribution) analysis ...

Pillar 1 support per ha appears to be targeting regions which generate higher primary sector value added, while Pillar 2 support targets regions facing agricultural adjustment

Per capita support under Pillar 1 is associated much more with equity across regions than that under Pillar 2. Also, CAP support does not seem to address populations at risk of poverty => **Need to better target poorer regions through rural development policy resources; also, the capacity of CAP support to address rural poverty should be reconsidered.**

Subsidy intensity analysis

There is an increasing dependence of Greek agriculture on income transfers, due to a decline in farm net value added => Incentives should encourage aggregation of smaller farms through the promotion of capital investments that lead to improvements in productivity and more efficient use of inputs.

Producer associations and cooperatives could link smallholder farmers to finance and input and output markets, facilitating their modernization and better managing costs. Policy actions could facilitate the provision of public goods (e.g., advisory, training, technical, and information support; agricultural R&D; infrastructure).

Direct payments target more intensive types of farming => Considering the priorities of the new CAP and EU Green Deal, a need for re-targeting farm support towards less-intensive agriculture sectors seems necessary.

This should be complemented by policy action facilitating the increase of value-added creation and incomes for farms with a less-intensive production orientation.

Value addition generated by both agriculture and food processing has been declining, due to sector-specific and economy-wide productivity issues.

Structural analysis

Value-addition in agriculture can bring about important economy-wide benefits. Improvements needed in value added of agriculture both in terms of value creation and retention as well as better integration with sectors of the economy => Improvements in productivity through innovation is the key; linkages to the rest of the economy can improve through innovative approaches, including circular economy, marketing, and greater positioning of Greek agricultural products for domestic use.